GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2001
ANSWERED ON:12.12.2008
VALUE OF RUPEE
Paraste Shri Dalpat Singh

Will the Minister of FINANCE be pleased to state:

(a)the present value of the rupee in comparison to its value in 1990-91;

(b)the details of depreciation against US dollar of the rupee during the last three financial years; and

(c)the steps being taken by the Government to stablise the value of the rupee?

Answer

MINISTER OF STATE FOR FINANCE(SHRI PAWAN KUMAR BANSAL)

(a)In nominal terms, the Rupee depreciated against the US dollar from Rupees 19.64 as on end-March 1991 to Rupees 46.94 as on end-September 2008.

(b)Details of appreciation / depreciation of the rupee against US dollar are given below :

	2006-07 (April-March)	2007-08 (April-March)	2008-09 (April to Dec.8, 2008)
Appreciation (+)/ Depreciation (-) of the Rupee at the end of period over beginning of period (in per cent)	(+) 2.3	(+) 9.1	(-) 18.7

(c)The exchange rate of the rupee is largely determined by demand and supply conditions in the market except that the RBI intervenes in the domestic foreign exchange market to manage excess volatility to ensure orderly conditions. There is, however, no fixed target or a pre-announced target or a band. Taking note of the turmoil in international financial markets on the domestic forex market, RBI has taken a number of measures beginning mid-September 2008, which include the following:

#The Reserve Bank announced that it would continue to sell foreign exchange (US dollars) through agent banks to augment supply in the domestic foreign exchange market or intervene directly to meet any demand-supply gaps.

#The Reserve Bank announced that it would resume special market operations to meet the foreign exchange requirements of public sector oil marketing companies against oil bonds when they become available.

#The interest rate ceilings on FCNR (B) and NR(E)RA term deposits were increased in stages by a cumulative 175 basis points each.

#External commercial borrowings (ECBs) up to US$500 million per borrower per financial year were permitted for rupee expenditure and/or foreign currency expenditure for permissible end-uses under the automatic route.

#The all-in-cost ceiling for ECBs for average maturity period of three years and up to five years was enhanced to 300 basis points above LIBOR and to 500 basis points above LIBOR for ECBs over five years.

#The all-in-cost ceiling for trade credit less than 3 years was enhanced to 6 months LIBOR plus 200 basis points.

#Systemically Important Non-Deposit taking NBFCs have been temporarily permitted to raise short-term foreign currency borrowings under the approval route, subject to their complying with the prudential requirements of capital adequacy and exposure norms. Housing finance companies (HFCs) registered with the National Housing Bank (NHB) have also been permitted to raise short-term foreign currency borrowings under the approval route, subject to their complying with prudential norms laid down by the NHB.

#The Reserve Bank has also instituted a rupee-dollar swap facility for banks with overseas branches to give them comfort in managing their short-term funding requirements.

#RBI announced a scheme for buy-back of Foreign Currency Convertible Bonds (FCCBs) issued by Indian corporates on November 15, 2008 and introduced furtherrelaxationsin this regard on December 6, 2008.